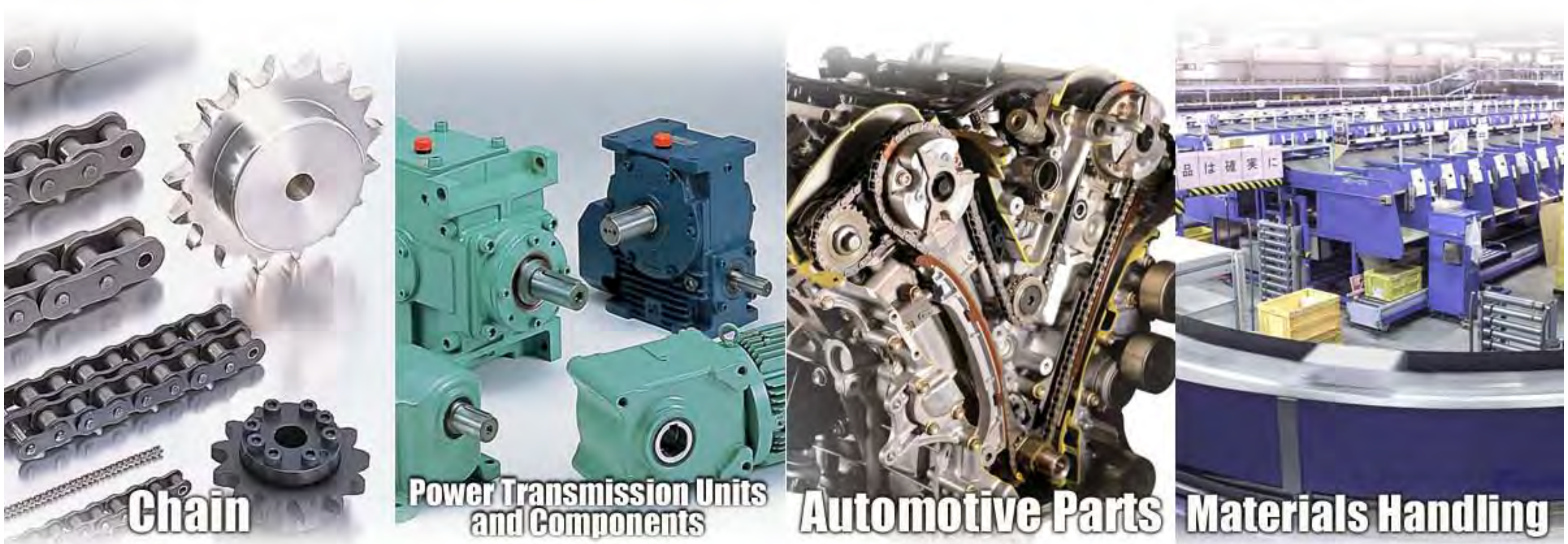
Tsubakimoto Chain Co.
FYE 2011 Interim Settlement of Accounts Presentation Meeting



November 22, 2010

FYE 2011 Interim Settlement of Accounts Business Report

Note: The ‘first half’ referred to in this report indicates the first two quarters of the applicable fiscal year (April 1 through September 30 of the applicable consolidated accounting year).
(For some overseas subsidiaries, the ‘first half’ indicates the period from January 1 through June 30 of the applicable year.)

Highlights of Settlement of Accounts

■ Continuing recovery of demand and organizational improvements have created a sudden improvement in income margins.

(Yen, millions)

	1H FYE 2010	1H FYE 2011	Year-on-year comparison		Initial forecast
	Actual figure	Actual figure	Increase/decrease	Percentage increase/decrease	First-half forecast
Net sales	50,503	68,270	+17,767	(35.2%)	63,000
Operating income	183	5,341	+5,157	(2808.1%)	2,500
Operating income margin	0.4%	7.8%			4.0%
Ordinary income	522	5,410	+4,887	(935.2%)	2,300
Net income for the quarter	507	3,159	+2,652	(523.1%)	1,000
First-half net income per share	2.73	16.98	-	-	5.38
(Exchange rates 1 US $)	95.54	88.91	-	-	85.00
(Exchange rates 1 EURO €)	133.22	113.82	-	-	115.00

Shareholders' equity ratio	44.0%	45.4%	Equity capital/total assets
Net D/E ratio	0.55	0.39	Interest-bearing liabilities/equity capital

Main Points of Settlement of Accounts

■ Sales: Top-line growth of 35.2% year-on-year

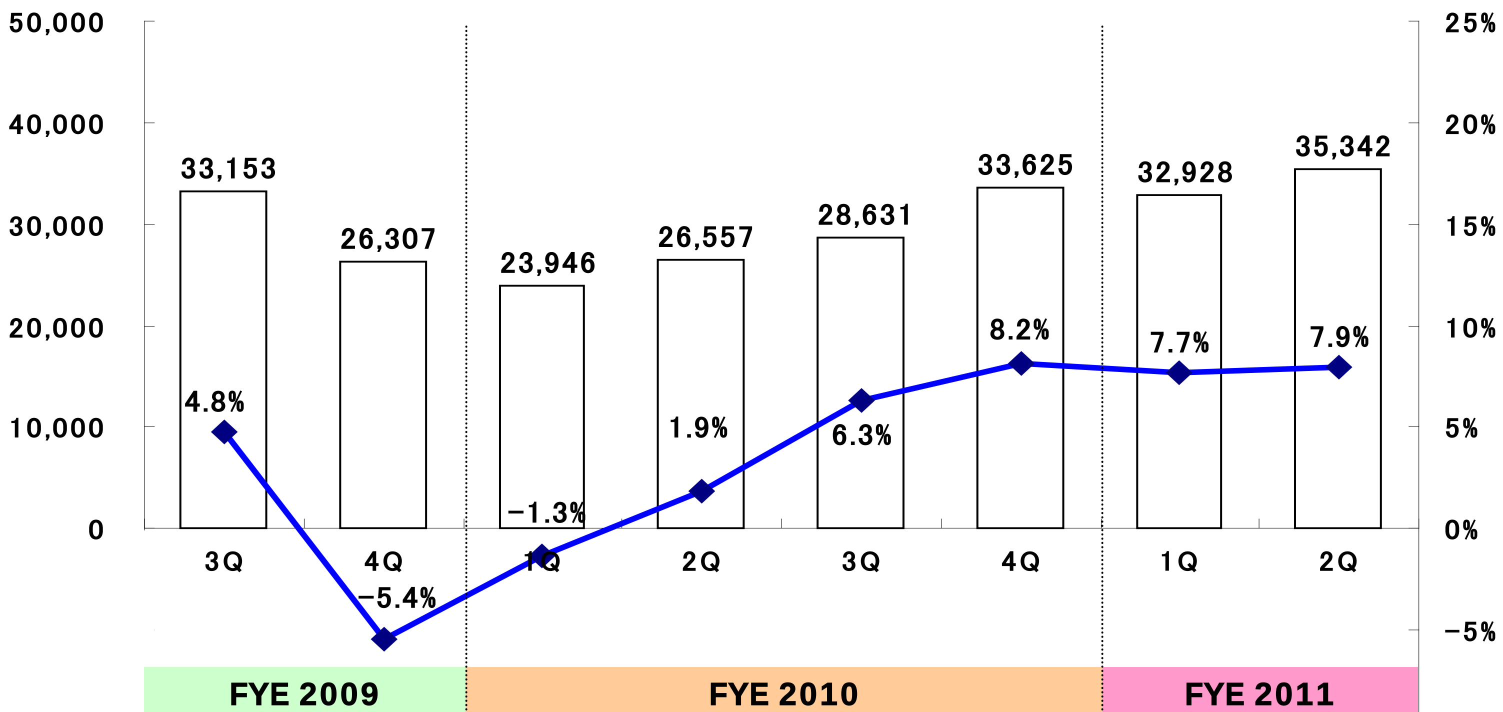
1. Automotive Parts Operations performed well due to a vehicle sales increase led by environmentally-friendly vehicles.
2. Chain Operations and Power Transmission Units and Components Operations performed well due to a recovery of capital spending in the LC/semiconductor and steel industries.
3. The acquisition of German manufacturer KabelSchlepp as a consolidated subsidiary in April 2010 also helped boost sales.

■ Profits: The operating income margin recovered to over 7% due to organizational improvements such as reductions in fixed costs.

1. Profit growth from major top-line growth
2. Profit growth from organizational improvements enabled by reductions in fixed costs carried out as emergency recession response measures and as management foundation improvement measures

Quarterly Settlement of Accounts

- The income margin has been roughly the same since Q4 FYE 2010, due to labor cost increases from improved earnings and other cost increases from rising production.

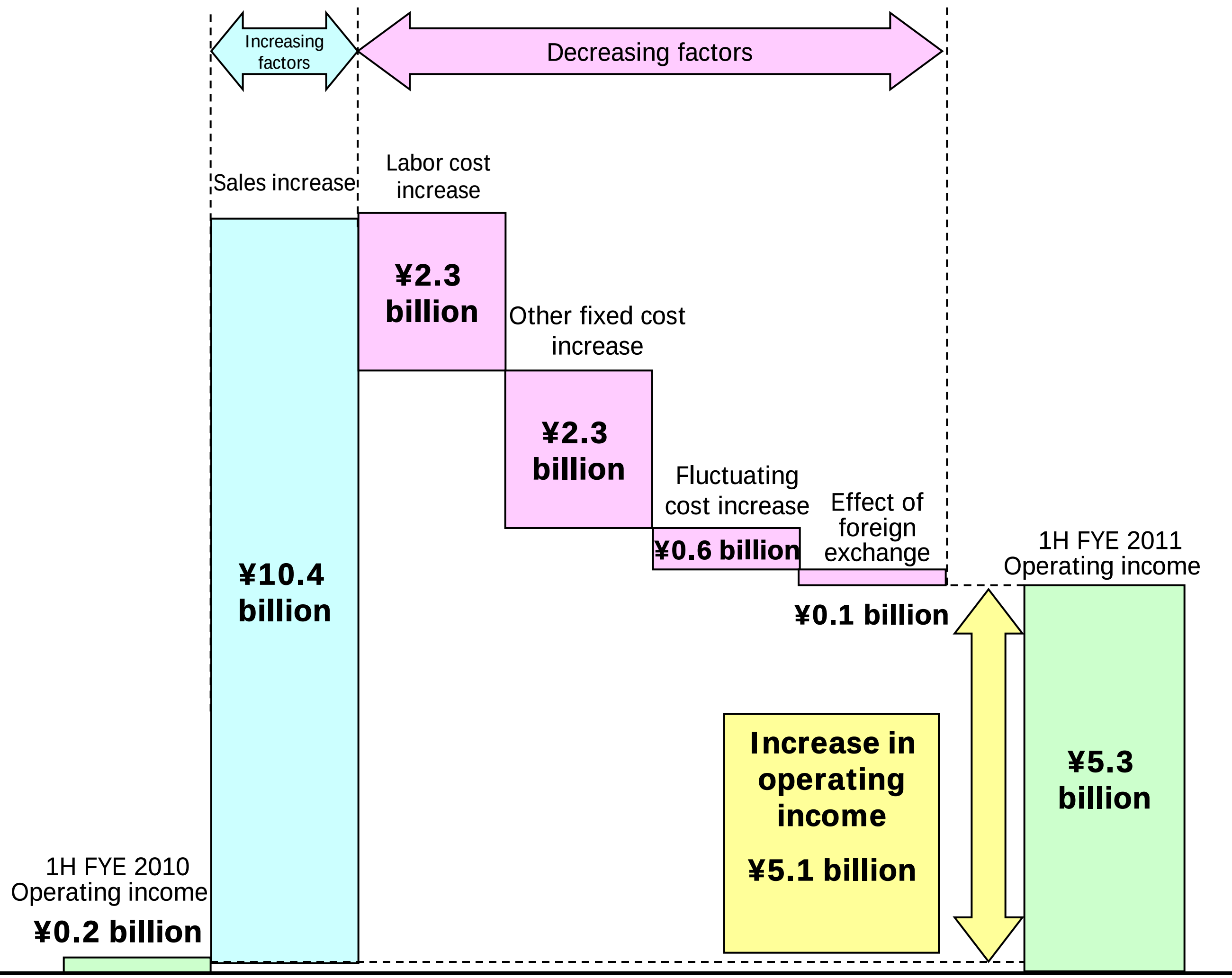


Major exchange rates	FYE 2009 (full year)	FYE 2010 (full year)	FYE 2011 (First half)
US$	¥100.72	¥92.90	¥88.91
Euro €	¥144.07	¥131.18	¥113.82

(Yen, millions) : Net sales : Operating income margin

Analysis of Factors Increasing/Decreasing Operating Income

■ First half of FYE 2010 vs First half of FYE 2011



<Factors increasing operating income>

1. Total sales increase: 10.4 billion yen
- Increase in gross margin from increase in sales

<Factors decreasing operating income>

1. Total labor cost increase: 2.3 billion yen
- Staff and labor cost increase from KabelSchlepp acquisition
- Staff cost increase from rise in production
- Salary and bonus increases from earnings recovery

2. Total increase in other fixed costs: 2.3 billion yen
- Manufacturing cost increase from KabelSchlepp acquisition

3. Total increase in fluctuating costs: 0.6 billion yen
- Increase in cost of outsourced orders from rise in production
- Increase in packing and shipping costs

4. Total effect of foreign exchange: 0.1 billion yen

Breakdown by Segment and Operations

■ The profitability of all business segments improved due to top-line growth and ongoing cost-cutting.

(Yen, millions)

	FYE 2010[*2] 1H	FYE 2011 1H	Amount of increase/ decrease[*2] Year-on-year percentage increase/decrease	Reorganization of sprocket business segment; KabelSchlepp acquisition	
Chain Operations Net sales[*1]	16,549	**23,563**	-	Sprocket business segment[*3] +1,600	KS[*4] +2,170
Operating income (income margin)	-613 -	**1,318 (5.6%)**	-	-60	-190
Power Transmission Units and Components Operations Net sales[*1]	8,387	**9,608**	-	Sprocket business segment[*3] -1,600	
Operating income (income margin)	-693 -	**942 (9.8%)**	-	+60	
Automotive Parts Operations Net sales[*1]	16,455	**22,280**	-		
Operating income (income margin)	1,103 (6.7%)	**3,027 (13.6%)**	-		
Materials Handling Systems Operations Net sales[*1]	8,892	**12,591**	-		KS[*3] +1,000
Operating income (income margin)	-322 -	**-227 -**	-		-60

*1: Sales figures include internal sales and transfers between segments.

*2: Figures for FYE 2010 are reference figures resulting from consolidation for managerial accounting purposes, and don't enable simple comparison with FYE 2011 figures.

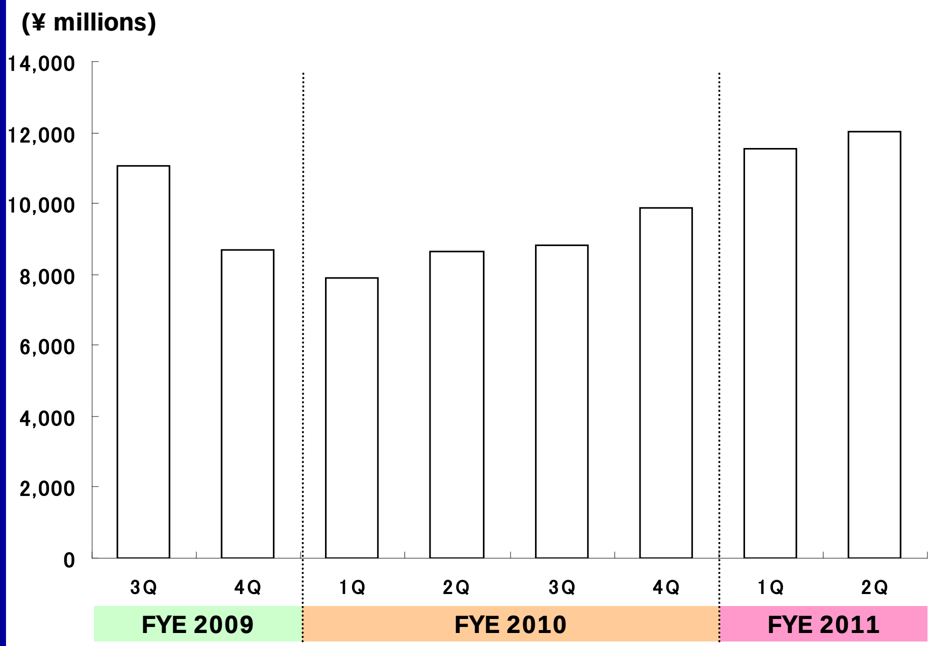
*3: Sprocket business has been counted as a power transmission business segment through FYE 2010, and as a chain business segment thereafter.

*4: 'KS' is the German subsidiary KabelSchlepp, a consolidated subsidiary as of FYE 2011.

Overview by Business Segment

■ Sales (by quarter)

● Chain Operations



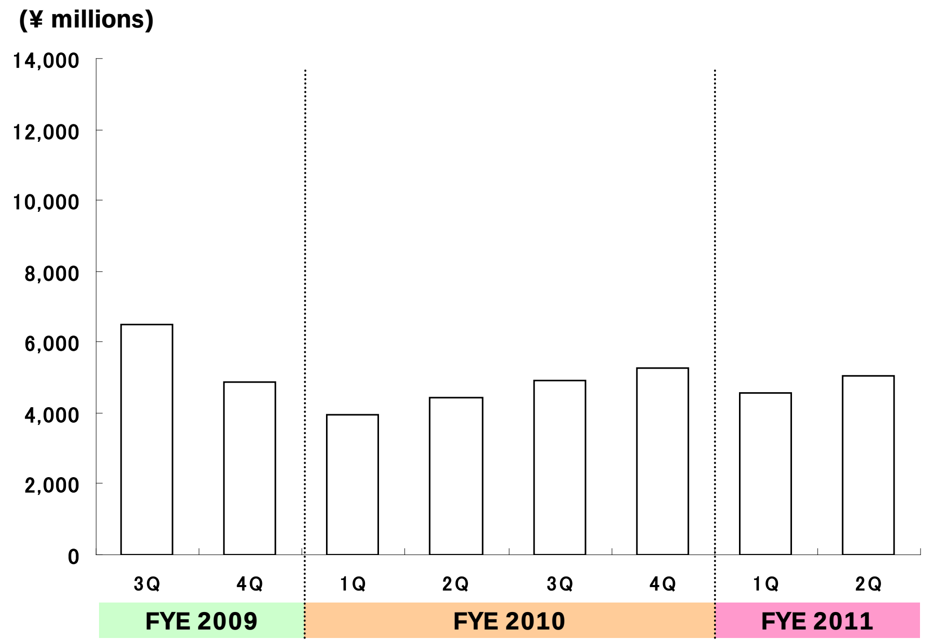
<Sales by industry>

- Sales to the LC/semiconductor and machine tool industries recovered sharply starting in Q4 of the previous year.
- Sales to the food industry have continued to be solid.

<Sales by region>

- Sales in all regions have been recovering. The recovery has been particularly noticeable in North America since Q4 of last year.
- Sales in Europe have been growing significantly since Q1 of this year due to the KabelSchlepp acquisition.

● Power Transmission Units and Components Operations



<Sales by industry>

- Sales to the LC/semiconductor and machine tool industries have been good.
- Sales to the shipbuilding industry have continued to be solid, partly due to remaining orders.
- Sales to other industries have been recovering at a generally slow rate.

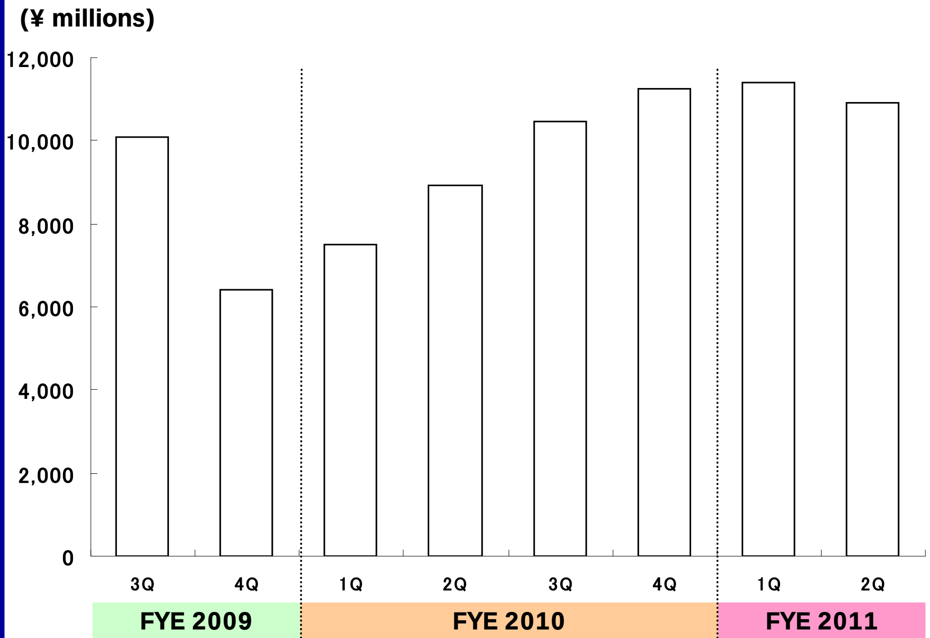
<Sales by region>

- Sales in Japan and China have been good.
- Year-to-date sales through Q2 are up 38% year-on-year excluding effects of segment reorganization.

Overview of Sales by Business Segment

■ Sales (by quarter)

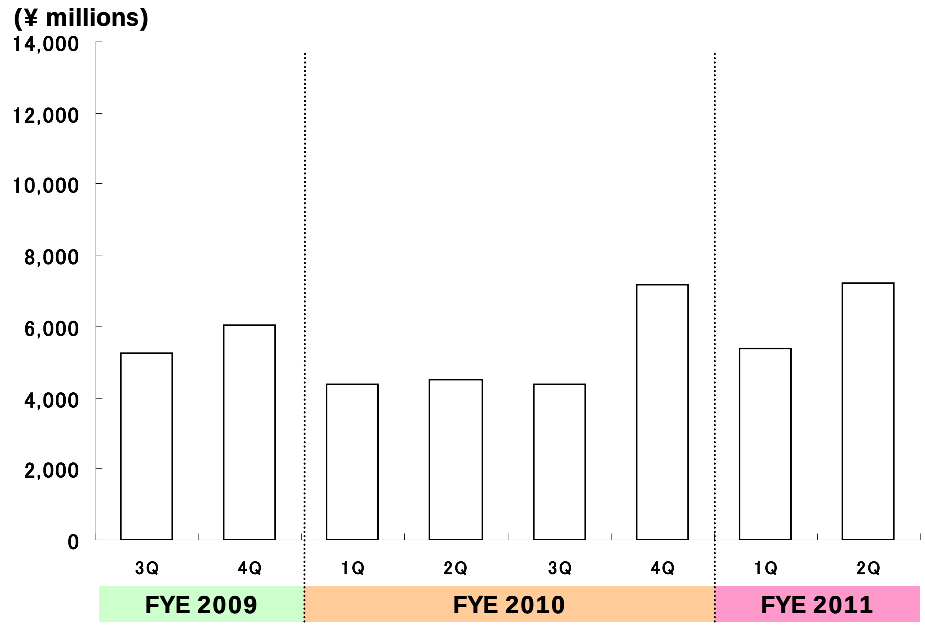
● Automotive Parts Operations



<Sales by region>

- Year-on-year comparisons of the sales figures for the first half of this year are good for Japan, North America, Thailand and China.
- However, sales have been slowing in the first two quarters of this year in North America and China.

● Materials Handling Systems Operations



<Sales by industry>

- Major projects that contributed to sales included projects for the steel and automotive industries, and drug discovery equipment.
- Sales of post office sorting systems and sales of storage devices to major pharmaceutical companies were good.
- Sales of bulk material transportation equipment were sluggish.

Segments by Region

■ Automotive parts sold well in Asia/Oceania; KabelSchlepp acquisition boosts European sales share

(Yen, millions)

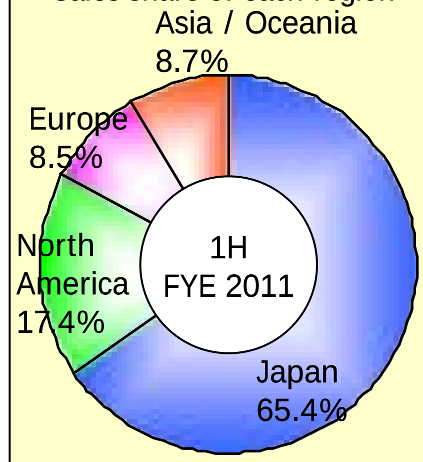
		FYE 2010	FYE 2011	Year-on-year increase/decrease	
		1H	**1H**	Change	(Percentage)
Japan	Net sales*	39,375	**53,071**	+13,696	(+34.8%)
	Operating income	846	**3,876**	+3,030	(+358.2%)
	Operating income margin	2.1%	**7.3%**		
North America	Net sales*	8,992	**12,033**	+3,041	(+33.8%)
	Operating income	-158	**810**	+968	(-)
	Operating income margin	-	**6.7%**		
Europe	Net sales*	2,678	**5,931**	+3,253	(+121.5%)
	Operating income	64	**-164**	-228	(-)
	Operating income margin	2.4%	**-**		
Asia/Oceania	Net sales*	4,108	**6,269**	+2,161	(+52.6%)
	Operating income	364	**850**	+486	(+133.5%)
	Operating income margin	8.9%	**13.6%**		
Other areas	Net sales*	16	**32**	+16	(+100.0%)
	Operating income	-25	**-26**	-1	(-)
	Operating income margin	-	**-**		
Consolidated	Net sales*	50,503	**68,270**	+17,767	(+35.2%)
	Operating income	183	**5,341**	+5,158	(+2818.6%)
	Operating income margin	0.4%	**7.8%**		

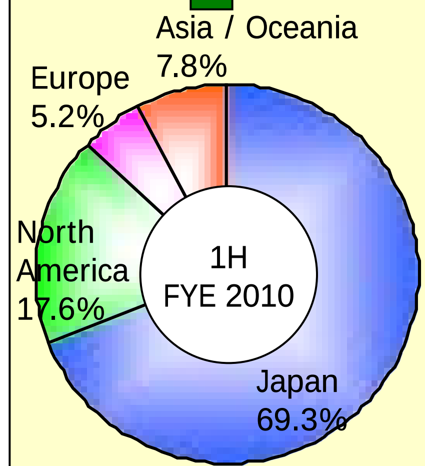
***Sales figures include internal sales and transfers between segments.**

<Major exchange rates> 1H FYE 2010: US$=¥95.54, EURO=¥133.22, Can$=¥84.34, A$=¥75.9, THB=¥2.73, NT$=¥2.90, RMB=¥13.99

1H FYE 2011: US$=¥88.91, EURO=¥113.82, Can$=¥86.00, A$=¥79.31, THB=¥2.80, NT$=¥2.78, RMB=¥13.38

<Sales share of each region>

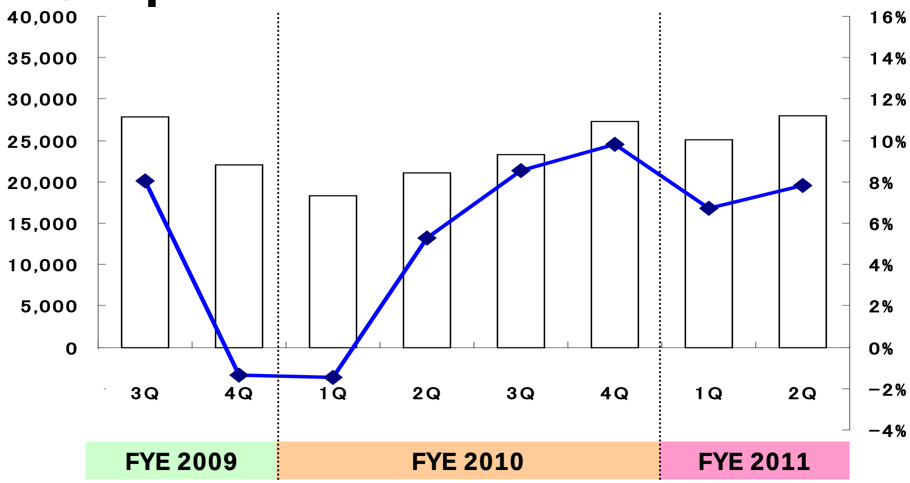




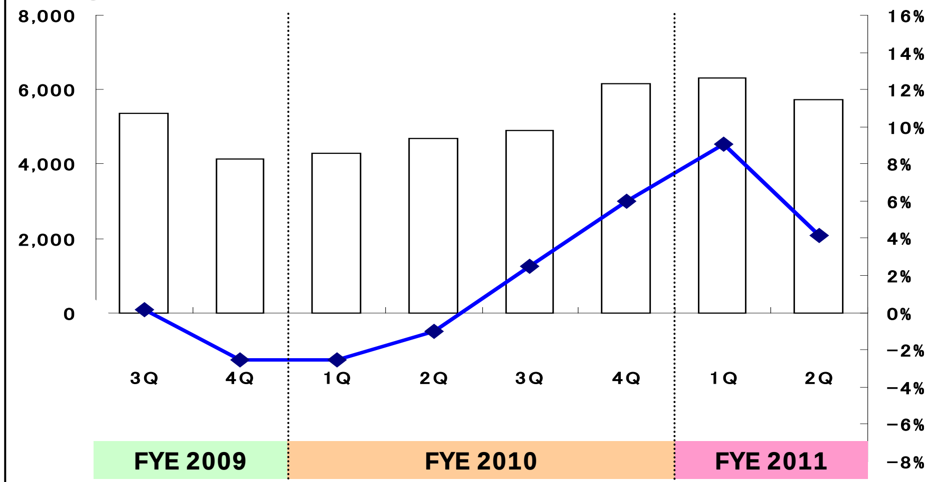
• Sales share figures are calculated from sales to outside clients.

Quarterly Sales by Region

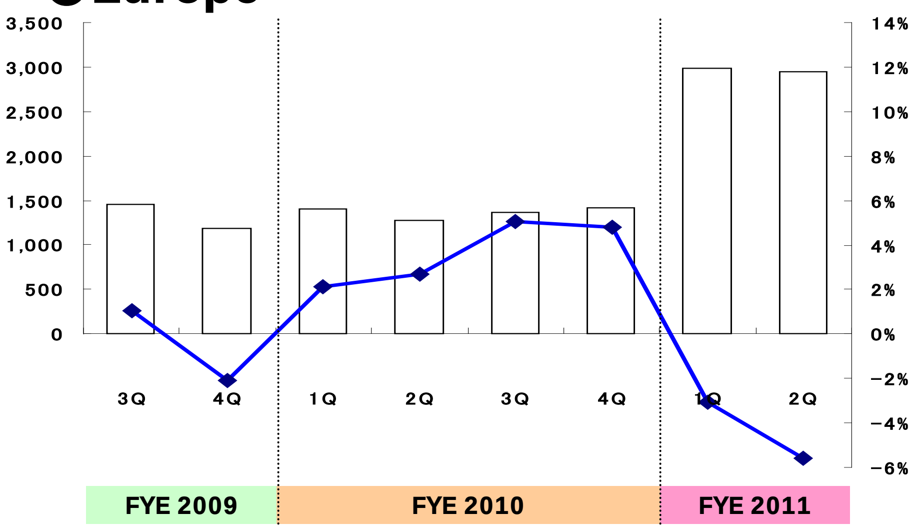
●Japan



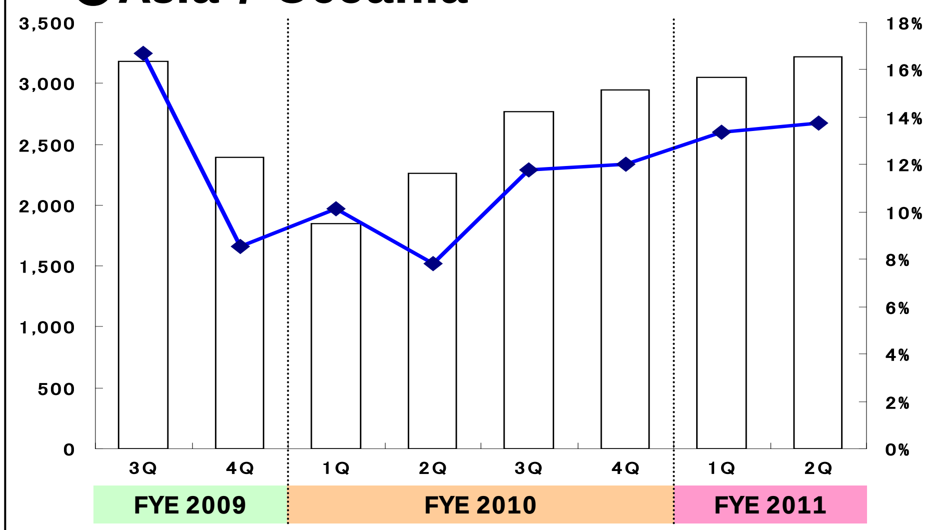
●North America



●Europe



●Asia / Oceania



(Yen, millions) : Net sales : Operating income margin

Full Year Settlement of Accounts
Forecasts for FYE 2011

Full Year Forecast

- This full year outlook has carefully incorporated effects such as a slowdown in the pace of recovery and discontinuation of subsidies for environmentally-friendly vehicles.

- Profitability will worsen relative to the first half due to falling sales and rising labor costs.

(Yen, millions)

	FYE 2010	FYE 2011	Relative to forecast			
	Actual figure	Full-year forecast	Relative to 5/12 initial forecast		Relative to 8/6 revised forecast	
Net sales	112,759	132,000	+5,000	+3.9%	+2,000	+1.5%
Operating income	4,737	8,800	+2,400	+ 37.5%	+1,300	+17.3%
Operating income margin	4.2%	6.7%	+1.6%		+0.9%	
Ordinary income	4,990	8,500	+2,500	+41.7%	+1,100	+14.9%
Net income	3,175	4,800	+1,600	+50.0%	+ 600	+14.3%
Net income per share	17.07	25.80	+8.6		+3.2	
(Exchange rates 1 US $)	92.90	-	Anticipated average rate for year: ¥85			
(Exchange rates 1 EURO €)	131.18	-	Anticipated average rate for year: ¥115			
Shareholders' equity ratio	44.3%	-	Equity capital/total assets			
Return on equity (ROE)	3.9%	-	Net income/equity capital			
Net D/E ratio	0.48	-	Interest-bearing liabilities/equity capital			
Dividend per share (yen)	6.00	6.00				

Full Year Settlement of Accounts Forecasts by Business Segment

- Amid an unpredictable environment, we expect second-half earnings to be lower than first-half earnings.

1. Corporate earnings are deteriorating due to declining exports caused by the strong yen, so capital spending will decrease.
2. The discontinuation of subsidies for environmentally-friendly vehicles will reduce domestic automotive production.

(Yen, millions)

	FYE 2010*2	FYE 2011			Reorganization of sprocket business segment; KabelSchlepp acquisition	
	Full-year figure (actual)	First-half figure (actual)	Second-half forecast	Full-year forecast		
Chain Operations					Sprocket business segment*3	KS*4
Net sales*1	35,247	23,563	**22,437**	**46,000**	+2,900	+4,330
Operating income	78	1,318	**882**	**2,200**	-130	-50
Power Transmission Units and Components Operations					Sprocket business segment*3	
Net sales*1	18,560	9,608	**9,392**	**19,000**	-2,900	
Operating income	-147	924	**646**	**1,570**	+130	
Automotive Parts Operations						
Net sales*1	38,200	22,279	**19,721**	**42,000**		
Operating income	3,637	3,027	**1,653**	**4,680**		
Materials Handling Systems Operations						KS*4
Net sales*1	20,448	12,570	**12,430**	**25,000**		+1,920
Operating income	-71	-227	**227**	**0**		-60

*1: Sales figures include internal sales and transfers between segments.

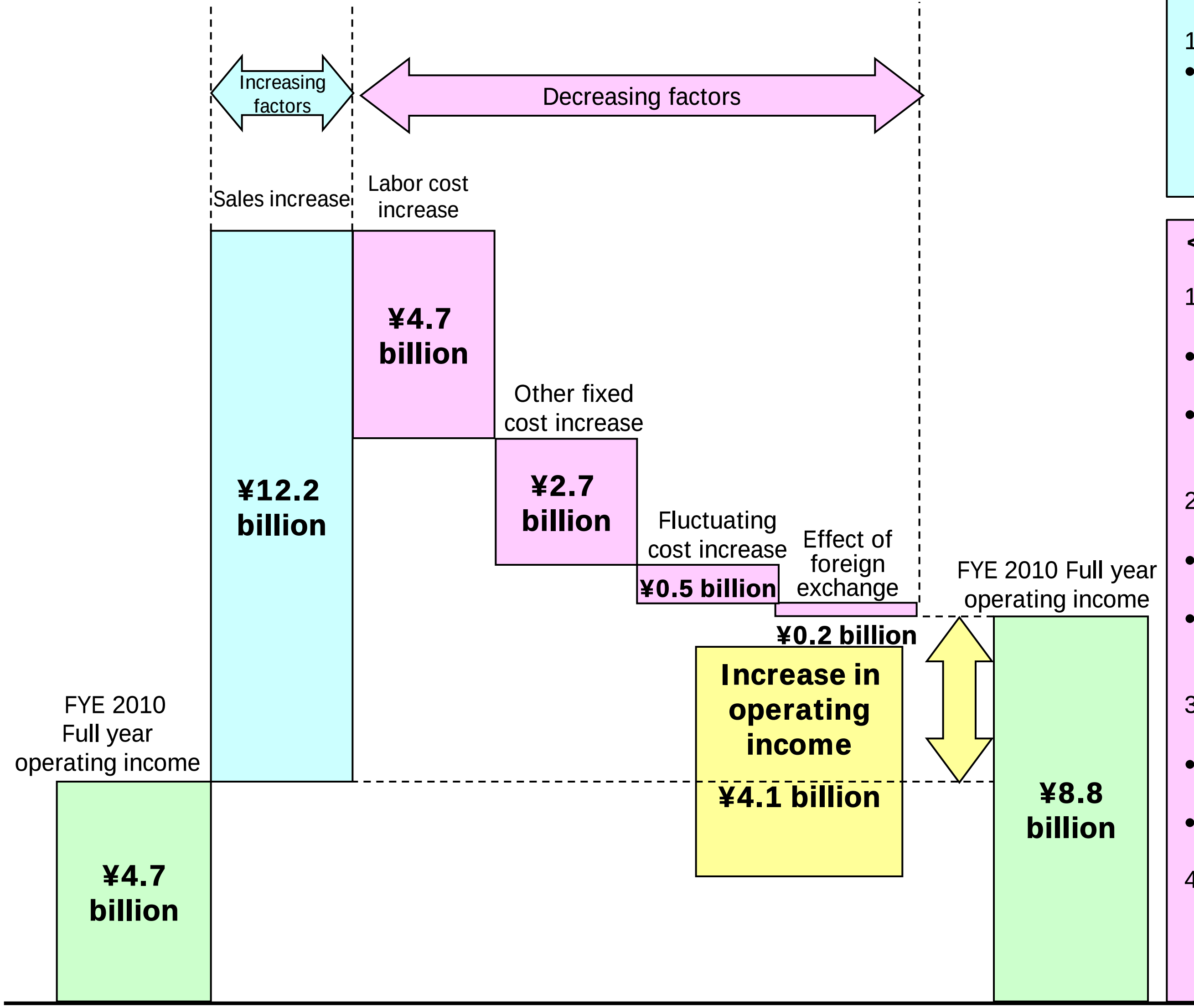
*2: Figures for FYE 2010 are reference figures resulting from consolidation for managerial accounting purposes, and don't enable simple comparison with FYE 2011 figures.

*3: Sprocket business has been counted as a power transmission business segment through FYE 2010, and as a chain business segment thereafter.

*4: 'KS' is the German subsidiary KabelSchlepp, a consolidated subsidiary as of FYE 2011.

Analysis of Factors Increasing/Decreasing Operating Income

■ FYE 2010 (actual figures) vs FYE 2011 (forecasts)



<Factors increasing operating income>

1. Total sales increase: 12.2 billion yen
- Increase in gross margin from increase in sales

<Factors decreasing operating income>

1. Total labor cost increase: 4.7 billion yen
- Staff and labor cost increase from KabelSchlepp acquisition
- Salary and bonus increases from earnings recovery

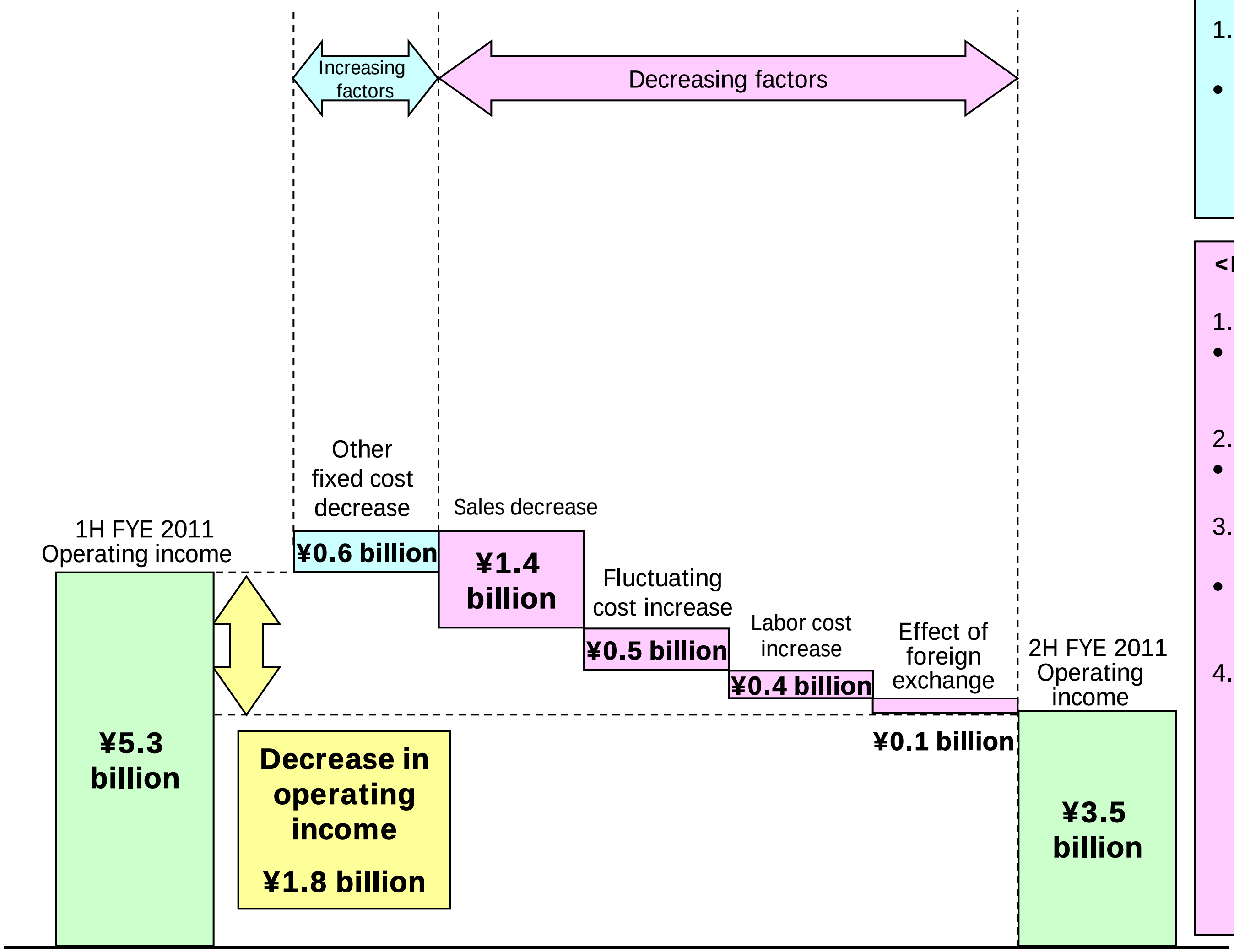
2. Total increase in other fixed costs: 2.7 billion yen
- Manufacturing cost increase from KabelSchlepp acquisition
- Increase in sales management (excluding labor costs)

3. Total increase in fluctuating costs: 0.5 billion yen
- Increase in cost of outsourced orders from rise in production
- Increase in packing and shipping costs

4. Total effect of foreign exchange: 0.2 billion yen

Analysis of Factors Increasing/Decreasing Operating Income

■ First half of FYE 2011 (actual figures) vs Second half of FYE 2011 (forecasts)



<Factors increasing operating income>

1. Total decrease in other fixed costs: 0.6 billion yen
   - Decrease in sales management (excluding labor costs)

<Factors decreasing operating income >

1. Sales decrease: 1.4 billion yen
   - Decrease in gross margin from decrease in sales
2. Fluctuating cost increase: 0.5 billion yen
   - Effect of rise in material costs
3. Total labor cost increase: 0.4 billion yen
   - Salary and bonus increases from earnings recovery
4. Total effect of foreign exchange: 0.1 billion yen

Work on Major Issues

	Major issues for FYE 2010	Progress
Improve marketing ability	Identifying future growth markets from a global perspective; boosting sales of products designed for those markets, and new product development	✓ Improving global competitiveness in the cableveyor market by acquiring German subsidiary KabelSchlepp ✓ Establishing power transmission business sales companies in India and Germany ✓ Forming sales alliance with Swedish manufacturer FlexLink
Product improvements	Improving development of products that anticipate market needs by assigning technicians to points of sale, and other ways of better reaching clients	✓ Integrating the Chain Divisions with Tsubaki Emerson's sales organization ✓ Assigning technicians to Tsubaki Emerson's sales departments ✓ Improving the sales and engineering functions of Materials Handling Systems Segment to improve ability to provide solutions (increase number of estimates)
	Providing and promoting the 'Tsubaki Environmentally-Friendly Product' designation to all new products that meet the environmental standards set by Tsubaki's own assessment system; using this designation to increase sales	✓ Creating Tsubaki's own environmental standards and logo designating environmentally-friendly products. Applied to products that help users reduce environmental impact in a cost-effective manner ('Ecology & Economy'). Will start in second half of year.
Improving manufacturing	Improve cost competitiveness by optimizing the lineups of products manufactured at each plant worldwide.	✓ Now underway through efforts of several new subcommittees.
	Attain world's highest levels of quality and productivity by having all manufacturing bases carry out *Dantotsu* activities designed to completely eliminate quality defects.	✓ All manufacturing bases are carrying out *Dantotsu* activities with a horizontal approach modeled after the global implementation of *Dantotsu* activities for automotive parts.

4. FYE 2011
Work on Major Issues

Improving European strategy targeting Germany

Following bases established in the Netherlands (Tsubaki Europe) and UK (Tsubaki UK), Tsubaki will create subsequent business bases to gain maximum proximity to the heretofore neglected German market.

■Acquisition of German manufacturer KabelSchlepp as Tsubaki subsidiary (May 2010)

- Will expand global share of cable/hose support and guide equipment.
- Will enable use of KabelSchlepp’s client base in the machine tool and other industries.

■Creation of German sales company (October 2010)

- Will boost high-end market approach centered on OEM manufacturers.

  → Strategic product

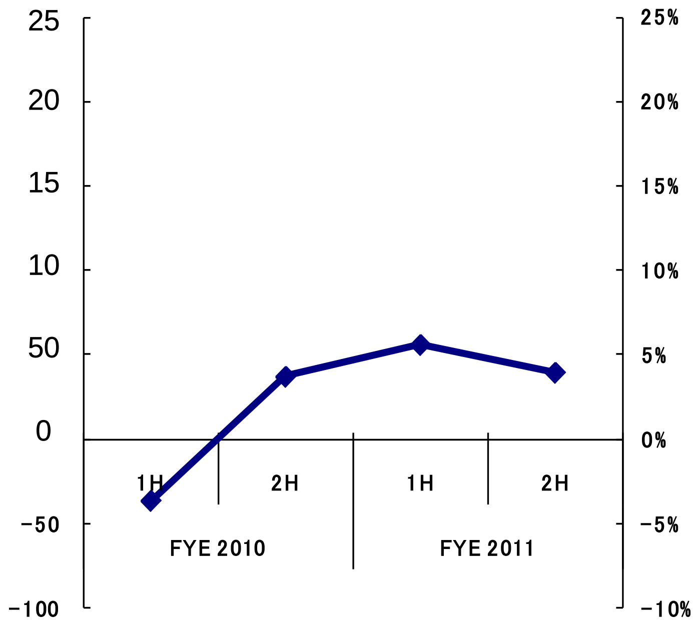
  RS Winner is a new roller chain model that conforms to European standards. Its release will help boost Tsubaki’s steel chain share.

- Will serve as a business base to approach German carmakers (for automotive parts).

4. Chain Operations: Second-half Developments

Sales/operating income margin

(Billions of yen)



While there is no concrete reason for a drastic slump in the second half, the outlook is unpredictable due to the yen's strength and fears of rising material prices.
Domestic market: Moderate recovery led by the food and machine tool industries
Overseas markets: Relatively good conditions will continue.

Activities during the second half

■ Full-scale integration of Chain Division with Tsubaki Emerson (Power Transmission Units and Components Operations) underway (implemented on October 1)

1. Restructuring from business segments organized by product (chain organizations and power transmission organizations) to business segments organized by region and client.
   Will enable the creation of an integrated business organization able to fully exercise its power transmission capabilities.
   - A new organization called the Global Account Sales Department will be created to boost sales to the machine tool industry and other selected industries. (Will respond to globalization among major clients and improve follow-up systems in close concert with clients.)
   - The Business Development/Marketing Department will handle global marketing.

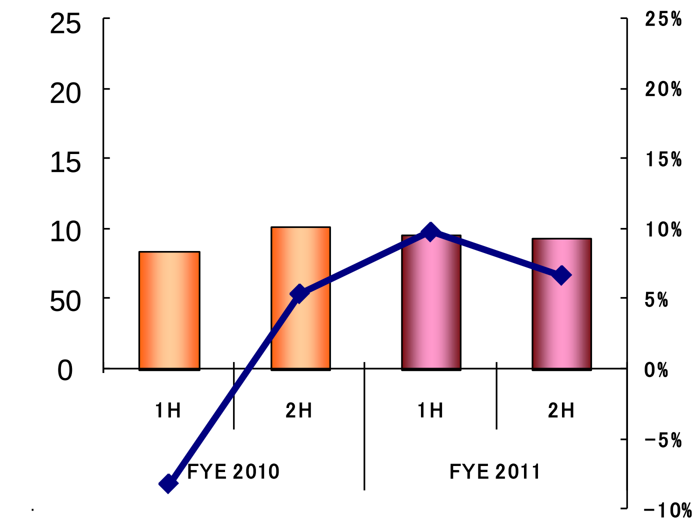
■ Further developing Chinese market

1. Further developing the Chinese market through team efforts by the Global Account Sales Department, applicable Chinese subsidiaries, and the Business Development/Marketing Department
2. Investigating local production of conveyor chains (ongoing)

4. Power Transmission Units and Components Operations: Second-half Developments

Sales/operating income margin

(Billions of yen)



While there is no concrete reason for a drastic slump in the second half, the outlook is unpredictable due to the yen's strength and fears of rising material prices.
Seeking to make overseas business the primary driver of orders and sales

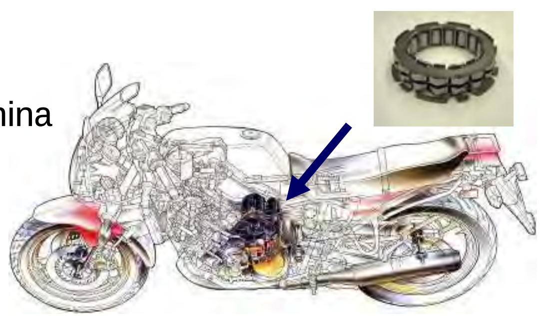
Activities during the second half

■ Expanding overseas business

1. Creating a system engineer team specializing in global products
   <Global power transmission products>
   Cam clutches, power cylinders, worm gear reducers
2. Starting full-scale entry into mining industry (collaboration with Chain Operations)
   Target: Global OEM
   Products: Cam clutches (backstop clutches)
   Power cylinders

■ Improving new products/business areas

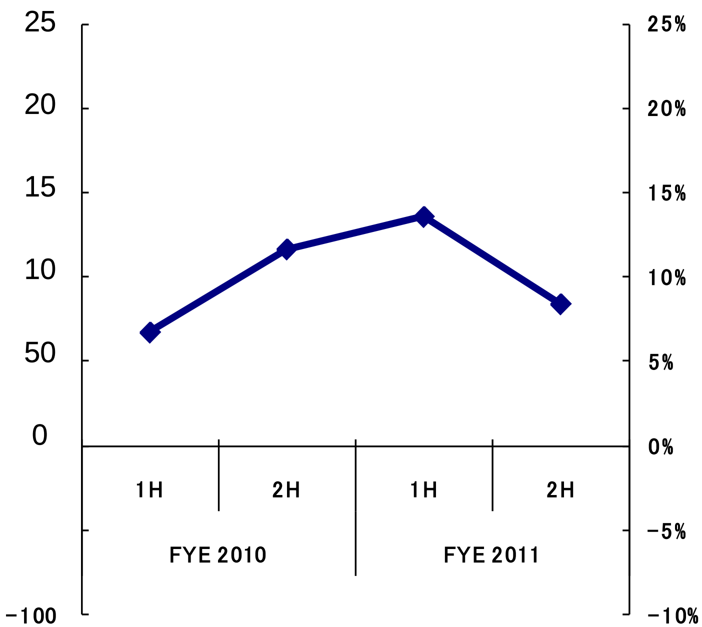
1. Products for the overseas mining industry
   Developing new types of cam clutch (large backstop cam clutches)
2. Increasing production of cam clutches for 2WD/4WD transmissions, making them profitable
   - 2WD cam clutches
   → For domestic manufacturers
   - 4WD cam clutches
   → Increasing production for China



4. Automotive Parts Operations: Second-half Developments

Sales/operating income margin

(Billions of yen)



Domestic: Revenues in the second half are expected to fall as the rush of demand for subsidized environmentally-friendly vehicles reverses. Q4 is unclear.

Overseas: Good sales will continue in Asia and North America, while sales in Europe will continue to be sluggish.

Activities during the second half

Winning and implementing new projects

1. Developed world markets (Japan, US, Europe)
   - North America: Improving Detroit technology office
   - Creating German office (October)
   - Implementing 7 existing projects and winning new projects
2. Emerging markets (BRICs)
   - Starting project team for emerging markets (end of August)
   - Implementing 2 existing projects (China) and winning new projects

Full-scale start of environmentally-friendly product lineup (ZeroTech Series)

- Mass production preparation and market release of roller chains, silent chains and tensioner systems featuring low friction and lighter designs

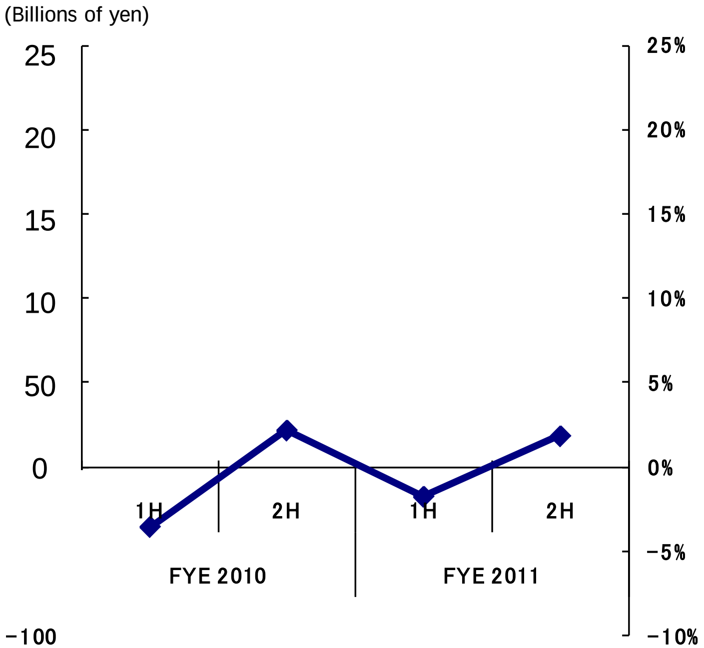
Boosting production capacities

- Saitama, Korea, US, China

Korean Plant due to be completed in June 2011
(Tsubakimoto Automotive Korea Co., Ltd.)

4. Materials Handling Systems Operations: Second-half Developments

Sales/operating income margin



- Sales to distribution, drug discovery and steel industries will be relatively good.
- Sales to automotive industry will continue to be slow.
- Sales of bulk material transportation equipment will be slow, but sales to machine tool industry will recover.

Activities during the second half

■ Top share of domestic market for sorting systems

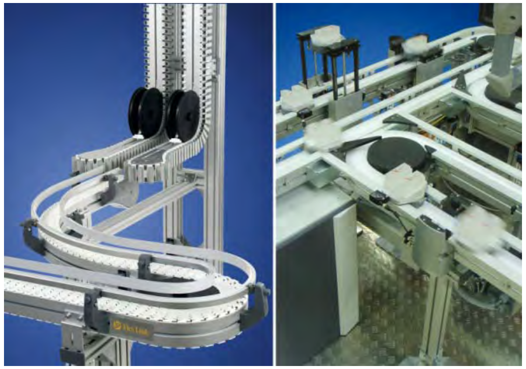
1. Will provide technology, products and services closely matched to client business.
   - After-sales service will improve client satisfaction through good stewardship.
2. Improving products
   - Revamping of Lini-Sort and Quick-Sort product lineups will improve cost competitiveness.
   - The sorting system lineup will be augmented (through new product development).

■ Expanding module business

1. Improving application engineering capabilities through close contact with clients

Target industries

- FlexLink systems: Food, pharmaceutical industry, household merchandise, machine parts
- Zip Chain Lifters, Direflex modular units: Automotive industry, tires, distribution, cardboard

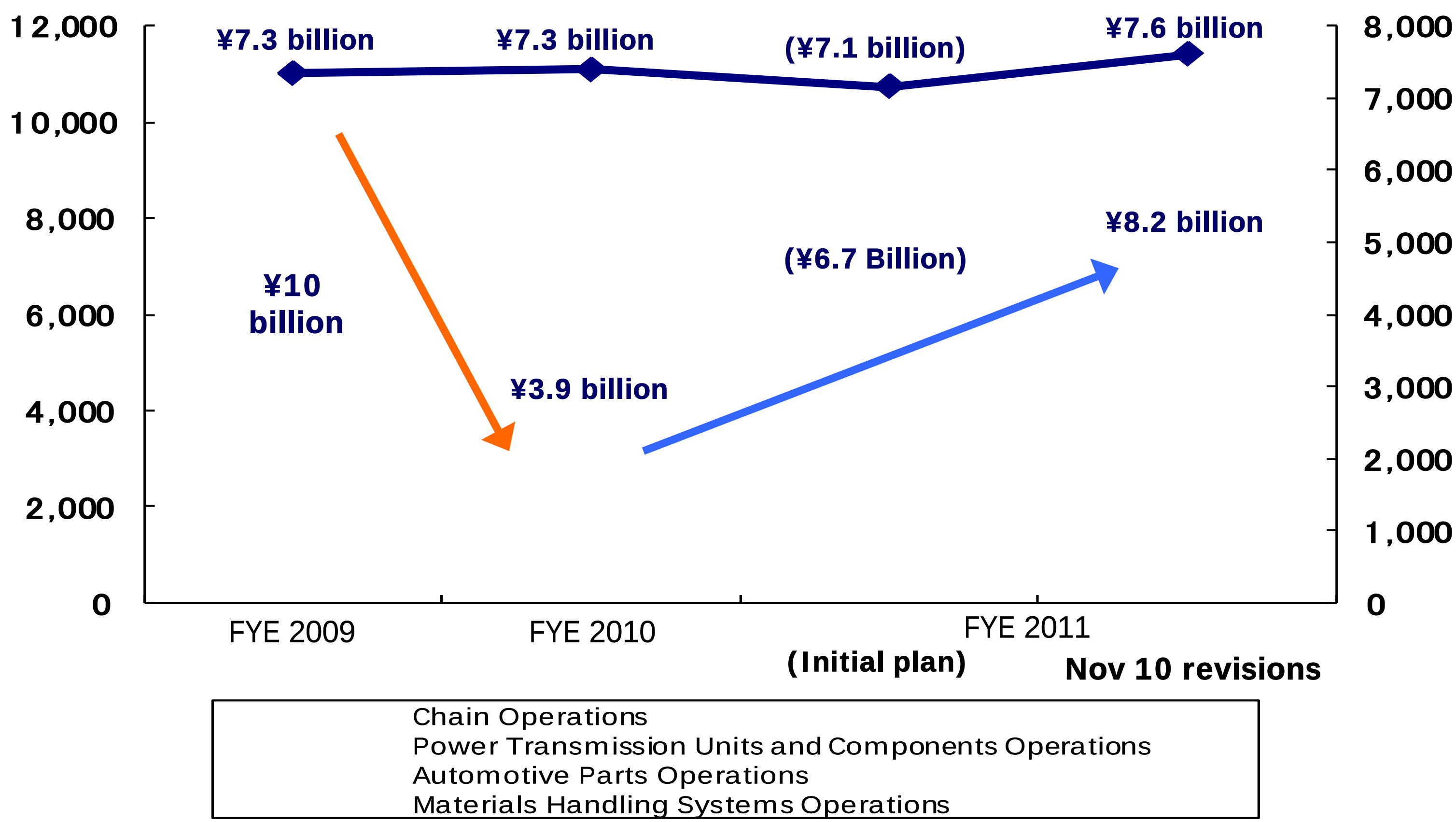


FlexLink system (3D conveyor made by FlexLink Systems of Sweden)

Capital Spending

■ **Developments such as production increases in the Automotive Parts Operations have increased capital spending by 1.5 billion yen over the initial plan figure.**

● Capital spending and depreciation expense



German manufacturer KabelSchlepp (acquired as a Tsubaki subsidiary in May 2010)

This reference document describes the outlook of our business performance and business plans.
Contents of this document are based on the economic environment and our business policies at the time of preparation of the reference data.
Therefore, please note that actual results may be different from the business outlook described here, depending on a variety of factors.